



LFC Newsletter

A publication of the Legislative Finance Committee

Representative Nathan Small, Chairman
Senator George Muñoz, Vice Chairman
Charles Sallee, Director

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From the Chairman In Every Corner

Since May, the Legislative Finance Committee has heard directly from experts, leaders, and stakeholders about challenges, needs, and opportunities in communities across New Mexico. As we visit with folks around the state, I am struck both by how different the needs can be from region to region and how our common values bring us together.

From Tucumcari to Taos to Albuquerque and everywhere in between, New Mexicans share concerns about providing our children with the education they deserve, expanding access to affordable healthcare and housing, creating more jobs and opportunities, improving public safety, lowering costs, and protecting our natural resources. Everywhere we've been, we have also heard worries about how federal funding cuts could hinder our ability to address the challenges New Mexicans face.

All of these issues are top of mind as we head to Las Cruces this month for our next meeting. Southern New Mexico is not just my home, it's a vibrant and dynamic part of our state that plays a central role in driving economic growth. The spirit of collaboration here is as strong as the sun is bright.

Our proximity to Mexico fosters unique partnerships in trade, workforce, and infrastructure. Our strengths in advanced manufacturing and renewable and traditional energy development have made this area a hub of innovation and opportunity that connects New Mexico to national and international markets.

Southern New Mexico's possibility and resilience also make it an appropriate venue to hear the latest projections of state revenues from the Consensus Revenue Estimating Group. New Mexico has been blessed with record revenues and we have been saving those funds prudently and investing them wisely for several years now, so that we're prepared for whatever lies ahead.

Another important focus of the hearing will be water because we know that understanding, managing, increasing, and protecting this vital resource is essential to sustaining the livelihoods and communities of southern New Mexico and our entire state.

While we are proud to have made historic investments in safeguarding our precious water supply and see signs of real progress, we also still have serious challenges to contend with—such as failing infrastructure that can result in critical safety issues.

But New Mexicans don't run from hard things, we run toward them. As a legislature, we have made record investments in education, healthcare, housing, public safety, conservation, and economic development in recent years. We also know that these investments alone will not solve the challenges facing our families and communities. So our work continues—in every corner of the state.

Representative Nathan Small
Chairman

Discretionary Capital Often Ineffective

While “local” capital outlay—building and equipment funds allocated at the discretion of individual legislators and the governor—empower legislators to fund priorities in their districts, the appropriations fall short on other goals, analysis by LFC and Department and Finance and Administration staff shows.

In a July [presentation on potential reforms to the local capital outlay process](#), staff report the discretionary amounts are ineffective in addressing the greatest needs in local communities or supporting economic growth.

While much capital outlay is distributed after a planning and public hearing [process](#), some funds—typically almost half—are divided equally among the House, Senate, and governor for discretionary projects for local governments, tribes, and other political subdivisions. Each legislator gets an equal amount of the allocation to the chamber.

However, the amount allotted to each legislator typically falls far short of requests, leading to piecemeal, inadequate funding of many projects that means many projects cannot be

launched or completed.

Sixty percent of local appropriations in 2025 were for \$250 thousand or less, while higher dollar local priorities, [as identified in local plans](#), are mostly unfunded, the LFC and DFA analysts report.

In addition, vetting for these projects is limited and inconsistent. Funding is sometimes appropriated for projects that were not sought by the community, and the community is not prepared or has little ability to use the money effectively.

The analysts suggested piloting a new approach to vetting and prioritizing local projects while preserving legislators' ability to direct discretionary funding, limiting the reauthorization of unspent funds, and taking steps to further encourage communities to tap existing grant programs that are more effective at funding drinking water and wastewater systems and other certain essential projects.

The committee is scheduled to hold a follow up hearing on those recommendations at 11 a.m. August 21 during its meeting in Las Cruces.

Childcare Gaps Persist Despite Funding

Current funding for early childhood care and education programs is enough to ensure all low-income 3- and 4-year-olds have access to childcare, prekindergarten, or Head Start, but some areas of the state are underserved and not all programs prepare young children for future academic success.

In the *2025 Accountability Report on Early Childhood*, scheduled to be presented to the committee at 9:30 a.m. August 19, LFC staff report state funding for early childhood programs has increased from less than \$200 million in FY12 to \$918 million in FY26, with funding for the Childcare Assistance subsidy program now at \$433 million.

While LFC analysis has repeatedly found that attendance in prekindergarten improves a child's future academic success, staff have also consistently found that the childcare programs funded through Childcare Assistance do not have the same effect, although family income can increase.

Enrollment in the program, which reimburses childcare providers for the costs of qualifying children, increased from 19 thousand children in 2019 to almost 27 thousand in 2023. However, much of the increase has been driven by an expansion in eligibility that provides subsidies to families earning up to 400 percent of the federal poverty level, or \$106,600 for a family of three.

In addition, slots for children under age 2 falls short of demand, with almost every county in need of infant and toddler care.

Notably, while prekindergarten—offered through state-funded public schools and community providers and federally funded Head Start—generally improves academic performance, the quality of the program matters.

LFC staff estimate 5,000 more low-income children in high-performing prekindergarten classrooms would result in 1,870 more students entering kindergarten proficient in reading.

Additional Sports Spending Might not be Enough

State general fund spending on athletics over the last 10 years has more than doubled at New Mexico State University and more than tripled at the University of New Mexico but is unlikely to be enough to keep the programs competitive in some sports, LFC analysis suggests.

A new rule that allows colleges affiliated with the National Collegiate Athletic Association (NCAA) to pay athletes combined with a new portal that allows athletes to easily and quickly change schools without loss of eligibility means schools will have to significantly increase spending on athletics, especially for football and basketball.

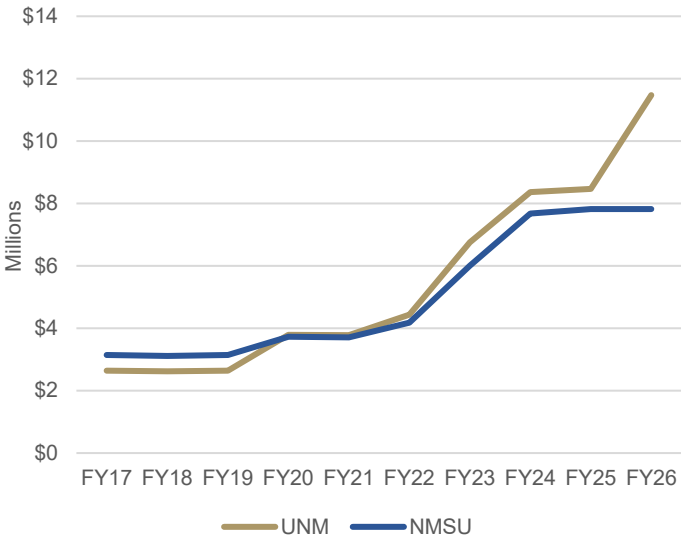
UNM and NMSU are both in Division 1, financially dominated by the “Power 5” conferences. Schools outside those conferences, including NMSU and UNM, will not be able to compete for top athletes without significantly increasing spending and may need to consider investing in sports other than football and basketball, staff note.

2024 Athletics Revenue by Conference

Conference	Total Revenues
Southeastern Conference	2,592,122,607
Big Ten Conference	2,360,422,619
Big 12 Conference	1,555,108,238
Pacific-12 Conference	1,340,716,472
Atlantic Coast Conference	1,262,047,136
Mountain West Conference (UNM)	691,936,520
Sun Belt Conference	517,198,097
American Athletic Conference [i]	513,012,512
Mid-American Conference	435,093,359
Conference USA (NMSU)	299,667,699

Source: Knight Commission

State General Fund Appropriations for Athletics



Source: LFC files



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Questions, comments: 505-986-4550
www.nmlegis.gov/Entity/LFC/Default

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On the Table

NM Tax Revenue Outperforms Trend

New Mexico is among a handful of states that outperformed their long-term tax revenue trends through FY24 in the Pew Charitable Trust’s latest *Fiscal 50 State Trends* but also had one of the highest revenue volatility scores. New Mexico collected about 11 percent more inflation-adjusted tax revenue than its 15-year trend baseline, compared with a national average shortfall of 3.2 percent. The strong performance reflects severance tax collections related to strength in the oil and gas industry. However, dependence on volatile energy revenue, along with reliance on personal and corporate income taxes, also drives the state’s high volatility score.

Recovery Funds Flow to Ruidoso

The village of Ruidoso will receive \$2.8 million in emergency funds to repair damage from post-fire flooding. The awards include \$350 thousand for a temporary bridge, \$1.5 million for sewer system repairs, and \$931 thousand for water system repairs. The funds come from a \$10 million capital appropriation from the 2025 session for local emergency projects. While the village is eligible for federal FEMA funds, those funds have been delayed.

DOH Fills More Beds

About 65 percent of licensed bed were occupied at the eight Department of Health facilities at the start of the fiscal year, a nearly 10 percentage point increase from the census a year ago, the department reports. The New Mexico Rehabilitation Center in Roswell had the lowest utilization, with just 13 beds—30.2 percent of its licensed beds—occupied. In contrast, the New Mexico State Veterans Home reported 128 residents filling 98 percent of its licensed long-term care beds as of the end of July 2025. The veterans’ home was at 67 percent occupancy a year ago.

UNM Tuition Up Almost 30%

Tuition and fees at the University of New Mexico increased 29.3 percent over the past five years, while tuition at New Mexico State University increased by 6.4 percent and tuition at NM Tech increased 20.7 percent over this same period. For the fall 2025 semester, tuition and fees at UNM will be 34 percent higher than NMSU and 13 percent higher than NM Tech. In fall 2021, tuition and fees at UNM were 10 percent higher than NMSU and 5 percent higher than NM Tech. In 2025, tuition and fees for UNM include a 37.5 percent fee increase for athletics anticipated to raise \$1.8 million per year.

Hospitals Would Lose Almost A Billion

The Health Care Authority expects Medicaid state directed payments to hospitals, which supplement base care payments, to drop from about \$1.2 billion in FY26 to \$330 million in FY35 because of the new cap on rates in the federal budget reconciliation bill. The bill decreases payments by 10 percent annually starting in 2028 until those payments reach 100 percent of Medicare rates. Directed payments to the University of New Mexico Hospital will decrease from \$274 million to \$64 million during the phase-out.

Transitions

Henry Jacobs has been promoted from the LFC administrative staff to a fiscal analyst position. He replaces Felix Chavez as the courts and judicial agencies analyst. Maggie Klug, an evaluator, is also moving to the fiscal analysis unit and will have general government agencies. Emily Hilla, the general government analyst, will now have the Department of Health and Aging and Long-Term Services Department, along with the Department of Information Technology. Mesa Vista Consolidated Schools has hired Fred Trujillo as superintendent to replace Robert Archuleta. Trujillo previously served as superintendent at Española and Pecos.